

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Lake Wildwood Utilities Corporation)	
)	Docket No. 01-0663
)	
Proposed general increase in water rates.)	

ORDER

By the Commission:

I. Procedural History

On September 25, 2001, Lake Wildwood Utilities Corporation (“Lake Wildwood” or “Company”) filed its Ill. C. C. No. 1, 12th Revised Sheet No. 1, hereinafter referred to as its “Filed Rate Schedule Sheet.” The Company therein proposed a general increase in water rates to be effective November 12, 2001.

On October 24, 2001, the Commission entered an Order suspending the Filed Rate Schedule Sheet to and including February 24, 2002. On January 24, 2002, the Commission resuspended the Filed Rate Schedule Sheet to and including August 24, 2002.

Notice of the proposed increase in water rates was posted and published in a newspaper of general circulation throughout the Company’s service area in accordance with the requirements of Section 9-201 of the Public Utilities Act (“Act”) and with the provisions of 83 Ill. Adm. Code 255. Notice of the filing was also sent to Lake Wildwood customers with the first billing after the filing.

Pursuant to notice as required by the law and the rules and regulations of the Commission, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Chicago, Illinois, on April 17, 2002.

Appearances were entered on behalf of the Company and the Commission Staff. At the conclusion of the hearing on April 17, 2002, the matter was marked “Heard and Taken.”

At the hearing on April 17, 2002, the Company appeared and presented its testimony and exhibits. The Company presented the testimony of Steve M. Lubertozzi, Director, Regulatory Accounting for Lake Wildwood’s parent company, Utilities, Inc. (“UI”)

Also at the hearing on April 17, 2002, Staff appeared and presented the testimony of the following witnesses: Roy A. King and William R. Johnson of the Water Department, Financial Analysis Division; Burma C. Jones of the Accounting Department, Financial Analysis Division; and Matthew L. Ulmer of the Finance Department, Financial Analysis Division.

At the conclusion of the hearing, the Company and Staff advised the Administrative Law Judge that they had resolved all matters in controversy. The Company and Staff therefore requested leave to waive the filing of briefs, and leave to file a Proposed Order for the Administrative Law Judge's consideration. The Administrative Law Judge granted these requests.

The Company prepared a draft Administrative Law Judge's Proposed Order, to which Staff, after reviewing it, stated that it had no objection. A copy of that Administrative Law Judge's Proposed Order was posted on the Commission's e-Docket system. Subsequently, the Administrative Law Judge adopted, with certain non-substantive changes, the Proposed Order and served that Proposed Order on the parties. No Exceptions to that Proposed Order were filed.

II. Service Areas and Nature of Operations

Lake Wildwood provides water service to approximately 380 usage customers and about 1,130 availability customers in Marshall County, Illinois.

Lake Wildwood is a wholly-owned subsidiary of UI, which owns and operates approximately 81 water and/or wastewater systems in 16 different States. Water Service Corporation ("WSC") manages the operations for all of UI's water and sewer systems, including Lake Wildwood's water system. WSC provides management, administration, engineering, accounting, billing, data processing, and regulatory services for the utility systems. WSC's expenses are assigned directly to an operating utility or allocated to one or more of the various operating utilities pursuant to a formula that has been approved by this Commission. Further, Lake Wildwood's current rate structure was approved pursuant to an order, dated October 21, 1998, in Docket No. 98-0048.

III. Test Year

Lake Wildwood's filing is based on a historical test year ending December 31, 2000, with pro forma adjustments for known and measurable changes. Staff did not challenge the reasonableness of using a 2000 historical test year. The Commission concludes that the test year ending December 31, 2000, with adjustments for known and measurable changes, is appropriate for the purposes of this proceeding.

IV. Depreciation Rates

~~The Company~~ Staff proposed the adoption of new depreciation rates for each plant account for Lake Wildwood, which would increase the current composite from 1.55% to 2.99%, as set forth in Staff witness King's Rebuttal Testimony and supported by Mr. Lubertozzi's Supplemental Rebuttal Testimony. The depreciation rates were developed on the basis of an analysis of average service lives and net salvage values from other utilities' depreciation studies that Mr. King had previously performed and that had been before the Commission.

Staff witness King further recommended that the depreciation expense be calculated utilizing separate depreciation rates for each primary account. Company witness

Lubertozzi supported Mr. King's recommendation for calculating depreciation expense for each primary account. Staff proposed adjustments to test year depreciation expenses consistent with its proposed adjustments to the test year level of plant-in-service, which Lake Wildwood accepted, and recommended that the Company provide evidence within sixty days from the date of the Order that it properly recorded the revised depreciation rates on its books and records. Lake Wildwood and Staff are in agreement on the test year level of depreciation expense.

The Commission finds that the proposed depreciation rates set forth in Staff's Exhibit 6.00, Schedules 6.01 and 6.02 are reasonable and should be approved.

IV. Present and Proposed Rates

The Present and proposed rates per month and percentage of increase are as follows:

	<u>Present</u>	<u>Company</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
Availability Charge	\$ 7.00	\$ 9.10	30.00%	\$7.47	6.71%
Residential	\$ 9.00	\$11.70	30.00%	\$10.34	14.89%
5/8" Commercial	\$ 9.00	\$11.70	30.00%	\$10.34	14.89%
3/4" Commercial	\$11.00	\$14.30	30.00%	\$12.64	14.91%
1" Commercial	\$18.00	\$24.10	33.89%	\$19.69	9.39%
1 1/2" Commercial	\$36.25	\$47.10	29.93%	\$36.25	0.00%
2" Commercial	\$58.00	\$75.40	30.00%	\$58.00	0.00%
3" Commercial	\$108.75	\$141.40	30.02%	\$108.75	0.00%
4" Commercial	\$181.25	\$235.60	29.99%	\$181.25	0.00%

6" Commercial	\$362.50	\$471.30	30.01%	\$362.50	0.00%
Usage Charge (per 1,000 gals)	\$ 3.62	\$ 4.69	29.56%	\$3.62	0.00%

The Company accepted Staff's proposed rates. Under Staff's proposed rates, a typical residential customer would experience an increase in their monthly bill from \$19.86 to \$21.20, an increase of \$1.34 or 6.75%. An availability customer would experience an increase in their monthly bill from \$7.00 to \$7.47, an increase of \$0.47 or 6.71%.

V. Rate Base

In its direct testimony, the Company presented evidence showing that the value of its original cost rate base was \$540,674 after making pro forma adjustments to its original cost rate base for the test year ending December 31, 2000.

Staff proposed various adjustments to the Company's pro forma rate base, including adjustments to plant-in-service and cash working capital. Staff's recommended adjustments are included in Appendix A, Schedule 4, and can be summarized as follows:

- (a) An increase of \$16,986 relating to the reallocation of the Water Service Corporation rate base.
- (b) A decrease of \$20,335 to reflect adjustments to gross plant in service through December 31, 2000, and an increase of \$13,065 to reflect additions to gross plant in service after December 31, 2000.
- (c) An increase of \$763 to accumulated depreciation to reflect the aforementioned decrease to gross plant in service through December 31, 2000, and a decrease of \$196 to reflect the additions to gross plant in service after December 31, 2000.
- (d) A decrease of \$175 to reflect the cash working capital for the appropriate level of general and maintenance expenses.

The Company, for purposes of this proceeding, accepted all of Staff's recommended rate base adjustments as set forth in Appendix A, Schedule 4, and agreed to record the decrease of \$20,335 to gross plant in service and the increase of \$763 to accumulated depreciation on its books and records.

The Commission finds that the adjustments to rate base proposed in Staff's exhibits are supported by the evidence, are reasonable, and should be adopted. Upon giving effect to these adjustments, the Commission concludes that the Company's pro forma original cost rate base, for the test year ended December 31, 2000, is \$550,783. For the purpose of an

original cost determination, the Commission approves a gross plant in service balance of \$828,314 and an accumulated depreciation balance of \$234,857 at December 31, 2000.

VI. Operating Revenues, Expenses, and Operating Income

In its direct testimony, the Company presented evidence of its pro forma operating revenues, expenses and income for the test year ended December 31, 2000, as follows:

Pro Forma Operating Revenues	\$198,323
Pro Forma Operating Expenses	<u>170,889</u>
Utility Operating Income	\$27,434

Staff proposed various adjustments to Lake Wildwood's pro forma operating statement. Staff's adjustments are identified below and attached as Appendix A, Schedule 2:

(a) Increase in both water service revenues and miscellaneous revenues. Staff witness Johnson adjusted the Company's total revenues (\$2,999 increase) because it failed to include the difference in revenues due to timing differences found in billing cycles. Mr. Johnson testified that revenues generated by applying pro-forma billing units times present rates should be the appropriate total pro-forma present revenues. Mr. Johnson adjusted the miscellaneous revenues (\$255 increase) because they included variable revenues that are tied to total revenues.

(b) A decrease in uncollectable accounts expense to effect a necessary correct
change in the Company's ~~error~~accounting- and to reflect a 3-year weighted average of uncollectibles rather than actual uncollectibles in the test year.

(c) Decrease to maintenance expenses, general expenses, depreciation expense and taxes (other than income) due to reallocation of Water Service Corporation and Illinois Cost Center expenses based on updated customer numbers.

(d) Increase to maintenance expenses and general expenses based on the disallowance of unsupported capitalized time and capitalized maintenance related work.

(e) Adjustment to income taxes for interest synchronization. .

(f) Adjustments based on the gross revenue conversion factor.

(g) Adjustment to state and federal income taxes based on a unitary state income tax rate.

(h) A decrease to pro forma rate case expense to adjust for actual costs incurred plus a reasonable level of estimated costs.

(i) An increase to payroll taxes to reflect the Company's proposed increase to salary expense.

(j) Adjustments to depreciation expense due to plant adjustments and a change in depreciation rates.

The Company, for purposes of this proceeding, agreed with all of the above-described Staff adjustments.

The Commission finds that the adjustments to operating revenues, expenses (including taxes) and utility operating income as proposed in Staff's exhibits are supported by the evidence, are reasonable, and should be adopted. Upon giving effect to these adjustments, the Commission concludes that the Company's pro forma operating revenues, expenses and income, at the approved rates, for the test year ended December 31, 2000, are as follows and are attached in Appendix A, Schedule 1, hereto:

Operating Revenues	\$215,124
Operating Expenses	<u>161,038</u>
Utility Operating Income	\$54,086

VI. Capital Structure and Rate of Return

Capital Structure

Staff and the Company agreed that UI's December 31, 2000 capital structure, as presented in Staff Ex. 2.00, Schedule 2.01 is appropriate for setting rates in the proceeding. The capital structure is summarized below:

<u>Component</u>	<u>Ratio</u>
Debt	49.98 %
Common Equity	50.02 %
Total	100.00%

Embedded Cost of Debt

Staff and the Company agreed the embedded cost of long-term debt equals 8.74%.

Cost of Common Equity

Staff witness Ulmer stated that an analysis of the Company's cost of common equity was performed. Since Lake Wildwood's common stock is not publicly traded, Staff applied the ~~quarterly version of the~~ discounted cash flow ("DCF") analysis, which is a method of equating future cash flows to their present values by means of a ~~periodic~~ quarterly discount rate, to a sample of six public utility companies and five water companies deemed comparable in risk to Lake Wildwood. In performing the DCF analysis, Staff used the most current stock price and forward-looking growth rates for each firm, which were available at the date Staff prepared its testimony. Using the DCF analysis, Staff determined the ~~comparable~~ rate of return for the utility sample to be 12.37% for the public utility sample and 8.84% for the water sample. Mr. Ulmer also performed a risk premium analysis applying the capital asset pricing model ("CAPM"). For the CAPM analysis, Staff used the risk-free rate of return implied by the yields on U.S. Treasury bonds which ~~are~~ were a better current proxy of the risk-free rate than the yields on U.S. Treasury bills at the time of the analysis. Using the risk premium analysis, Staff determined that the cost of common equity for the comparable sample was 12.05% for the utility sample and 10.08% for the water sample.

In addition to his DCF and CAPM results, Mr. Ulmer added a five basis point liquidity premium to reflect the consequences of an investor's inability to sell an asset at a desired time and a predictable price. This adjustment was necessary because, unlike the firms that comprised Staff's comparable sample, the securities of Lake Wildwood are not publicly traded. Staff concluded that Lake Wildwood's cost of common equity ranged from 9.5% to 12.3%, with a midpoint of 10.9%.

Conclusion

The Company, for purposes of this proceeding, accepted Staff's recommended rate of return on common equity for the purpose of setting rates.

Based on the evidence presented, the Commission concludes^{sd} the Company's cost of equity capital is 10.90% and its overall cost of capital is 9.82% as proposed in Staff's exhibits.

The cost of capital is summarized as follows:

<u>Component</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Debt	49.98	8.74%	4.37%
Common Equity	<u>50.02</u>	10.90%	<u>5.45%</u>
Total	100.00%		9.82%

~~Based on the foregoing, Staff opined that a reasonable return on rate base for the Company was 9.82%.~~

VII. Cost of Service and Rate Design

The Commission finds the rate design principles and cost-of-service methodologies proposed in Staff's testimony, and the development and design of the rates in the manner proposed by Staff are reasonable and should be adopted.

Staff witness Johnson proposed to update the Company's Rules, Regulations and Conditions of Service tariffs. They are attached to his testimony as ICC Staff Exhibit 3.0, Schedule 3.6. The Company agreed with the proposed tariffs.

Staff witness Johnson proposed that the Company include the installation fee, reconnection fee, and late payment fee on its proposed rate tariff. The Company agreed with the proposal.

The Commission concludes that the appropriate rates for Lake Wildwood are set forth in Section IV (Present and Proposed Rates) of this Order. The Company is directed to file the rates set forth in Section IV. The filed tariffs should have an effective date of not less than five (~~105~~) business days after the date of filing with the office of the Clerk of the Commission, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period if necessary .

VIII. Findings and Ordering Paragraphs

The Commission, having given due consideration to the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Lake Wildwood Utilities Corporation provides water service within the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act, as amended;
- (2) the Commission has jurisdiction over the Company and the subject matter herein;

- (3) the recital of facts and conclusion reached in the prefatory portion of this Order are supported by the evidence and are hereby adopted as findings of fact;
- (4) a test year ending December 31, 2000 should be adopted for the purpose of this rate proceeding;
- (5) for the test year ending December 31, 2000 and for the purposes of this proceeding, the Company's rate base is \$550,783;
- (6) for the purpose of an original cost determination as of December 31, 2000, the Company's plant in service is \$828,314 and its accumulated depreciation is \$234,857;
- (7) a fair and reasonable rate of return on the Company's rate base is 9.82%; this rate of return reflects a fair and reasonable return on common equity of 10.90%; rates should be set to allow the Company an opportunity to earn that rate of return on its rate base, as determined herein;
- (8) Staff's embedded cost of service study methodology is reasonable and the recommendations with respect to the rate design proposed by Staff should be allowed;
- (9) the Company's rates which are presently in effect are insufficient to generate the operating income necessary to permit the Company to earn a fair and reasonable rate of return and those rates should be permanently canceled and annulled as of the effective date of the new tariff allowed in this Order;
- (10) the rates proposed by the Company in this proceeding would produce rates in excess of that which is fair and reasonable; the Company's proposed rates should be rejected and the design of the rates in the manner proposed by Staff is reasonable and should be adopted;
- (11) the Company should be permitted to file new tariff sheets setting forth the rates designed to produce annual operating revenues of \$215,124; and revenues will provide the Company an opportunity to produce sufficient utility operating income to provide a return on the Company's rate base of 9.82% consistent with the findings herein;
- (12) the Staff proposed rates contained in Section IV hereto are designed in accordance with the embedded cost of service and rate design determinations made in the prefatory portion of this Order herein above; the Company should be authorized to file new tariffs setting forth the rates and charges contained in Section IV, effective for all service rendered on and after five (5) business days after filing.

IT IS THEREFORE ORDERED that the tariff sheet proposing a general increase in water rates filed by Lake Wildwood Utilities Corporation be, and the same is hereby, permanently canceled and annulled.

IT IS FURTHER ORDERED that the Company provide evidence within sixty (60) days from the date of the Order that it has properly recorded revised depreciation rates and plant adjustments on its books and records. One copy of the evidence should be sent to the Chief Clerk and one copy should be sent to the Manager of the Accounting Department.

IT IS FURTHER ORDERED that the Company file all new rate tariffs (including the installation fee, reconnection fee, and late payment fee) and Rules, Regulations and Conditions of Service tariffs within ~~five (5)~~ ten (10) business days after the Final Order has been entered.

IT IS FURTHER ORDERED that the Company file new rate tariffs and Rules, Regulations and Conditions of Service tariffs with an effective date of not less than five (5) business days after the date of filing, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period if necessary. The rates will be in accordance with Findings 10 and 11 and Section IV herein. Said new tariff sheets shall cancel Ill.C.C. No. 1 in its entirety with the cancellation date being synonymous with the effective date of the new rate tariffs and Rules, Regulations and Conditions of Service tariffs.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final and is not subject to the Administrative Review Law.

By Order of the Commission this ___ day of _____, 2002.

(SIGNED) RICHARD L. MATHIAS

Chairman

(SEAL)

Lake Wildwood Utilities Corporation
Statement of Operating Income with Adjustments
For the Test Year Ending December 31, 2000

Line No.	Description	Company Pro Forma Present (Co. Sch. C)	Staff Adjustments (Appendix A, Sch. 2)	Staff Pro Forma Present (Cols. B+C)	Company Proposed Increase (Co. Sch. C)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. D+E+F)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. G+H)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Water Service Revenues	\$ 182,420	\$ 2,999	\$ 185,419	\$ 58,408	\$ (14,669)	\$ 229,158	\$ (31,250)	\$ 197,908
2	Miscellaneous Revenues	15,903	255	16,158	-	-	16,158	1,058	17,216
3	Total Operating Revenues	198,323	3,254	201,577	58,408	(14,669)	245,316	(30,192)	215,124
4	Uncollectible Accounts	44,191	(34,555)	9,636	14,149	\$ (12,058)	11,727	(1,443)	10,284
5	Maintenance Expenses	52,619	2,052	54,671	-	-	54,671	-	54,671
6	General Expenses	45,193	(3,410)	41,783	-	-	41,783	-	41,783
7	Depreciation	17,352	11,723	29,075	-	-	29,075	-	29,075
8	Amortization of CIAC	(1,330)	-	(1,330)	-	-	(1,330)	-	(1,330)
9	Taxes Other Than Income	10,734	(47)	10,687	175	(175)	10,687	-	10,687
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	168,759	(24,237)	144,522	14,324	(12,233)	146,613	(1,443)	145,170
17	State Income Tax	457	161	618	3,218	\$ (2,437)	1,399	(539)	860
18	Federal Income Tax	1,973	9,031	11,004	13,894	\$ 1	24,899	(9,591)	15,308
19	Deferred Taxes and ITCs Net	(300)	-	(300)	-	-	(300)	-	(300)
20	Total Operating Expense:	170,889	(15,045)	155,844	31,436	(14,669)	172,611	(11,573)	161,038
21	NET OPERATING INCOME	\$ 27,434	\$ 18,299	\$ 45,733	\$ 26,972	\$ -	\$ 72,705	\$ (18,619)	\$ 54,086
22	Staff Rate Base (Appendix A, Schedule 3, Column (D))								\$ 550,783
23	Staff Overall Rate of Return (ICC Staff Exhibit 2.0, Schedule 2.10)								9.82%
24	Revenue Change (Col. (I) Line 3 minus Col. (D), Line 3)								\$ 13,547
25	Percentage Revenue Change (Col. (I), Line 24 divided by Col. (D), Line 3)								6.72%

Lake Wildwood Utilities Corporation
Adjustments to Operating Income
For the Test Year Ending December 31, 2000

Line No.	Description	Interest Synchronization (St. Ex 7.0 Sched 7.5)	Uncollectibles Expense (St. Ex 1.0 Sched 1.9)	WSC Expenses (St. Ex 1.0 Sched 1.10)	Cost Center Expenses (St. Ex 1.0 Sched 1.11)	Normalize Revenues (St. Ex 3.0 Page 5)	Plant In Service (St Ex 1.0 Sched 1.12)	Operating Expenses (St Ex 1.0 Sched 1.13)	Subtotal Operating Statement Adjustments
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Water Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ 2,999	\$ -	\$ -	\$ 2,999
2	Miscellaneous Revenues	-	-	-	-	255	-	-	255
3	Total Operating Revenues	-	-	-	-	3,254	-	-	3,254
4	Uncollectible Accounts	-	(34,711)	-	-	156	-	-	(34,555)
5	Maintenance Expenses	-	-	(95)	(449)	-	-	2,596	2,052
6	General Expenses	-	-	(2,006)	(17)	-	-	48	(1,975)
7	Depreciation	-	-	(154)	(416)	-	(109)	-	(679)
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	-	-	(241)	-	-	-	-	(241)
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	(34,711)	(2,496)	(882)	156	(109)	2,644	(35,398)
16	Before Income Taxes	-	(34,711)	(2,496)	(882)	156	(109)	2,644	(35,398)
17	State Income Tax	(14)	651	47	17	58	2	(50)	711
18	Federal Income Tax	(255)	11,580	833	294	1,034	36	(882)	12,640
19	Deferred Taxes and ITCs Ne	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(269)	(22,480)	(1,616)	(571)	1,248	(71)	1,712	(22,047)
21	NET OPERATING INCOME	\$ 269	\$ 22,480	\$ 1,616	\$ 571	\$ 2,006	\$ 71	\$ (1,712)	\$ 25,301

Lake Wildwood Utilities Corporation
Adjustments to Operating Income
For the Test Year Ending December 31, 2000

Line No.	Description	Subtotal Operating Statement Adjustments	Rate Case Exp. Amort. (St. Ex 7.0 Sched 7.8)	Payroll Taxes (St. Ex 1.0 Sched 1.15)	Unitary Tax (St. Ex 1.1 Sched 1.16)	Revised Depr. Rates (St. Ex 4.0 Sched 4.9)	(Source)	(Source)	Total Operating Statement Adjustments
	(A)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)
1	Water Service Revenues	\$ 2,999	\$ -	\$ -				\$ -	\$ 2,999
2	Miscellaneous Revenues	255	-	-	-	-	-	-	255
3	Total Operating Revenues	3,254	-	-	-	-	-	-	3,254
4	Uncollectible Accounts	(34,555)	-	-	-	-	-	-	(34,555)
5	Maintenance Expenses	2,052	-	-	-	-	-	-	2,052
6	General Expenses	(1,975)	(1,435)	-	-	-	-	-	(3,410)
7	Depreciation	(679)		-	-	12,402	-	-	11,723
8	Amortization of CIAC	-	-	-	-	-	-	-	-
9	Taxes Other Than Income	(241)	-	194	-	-	-	-	(47)
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(35,398)	(1,435)	194	-	12,402	-	-	(24,237)
17	State Income Tax	711	27	(4)	(340)	(233)	-	-	161
18	Federal Income Tax	12,640	479	(65)	115	(4,138)	-	-	9,031
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(22,047)	(929)	125	(225)	8,031	-	-	(15,045)
21	NET OPERATING INCOME	\$ 25,301	\$ 929	\$ (125)	\$ 225	\$ (8,031)	\$ -	\$ -	\$ 18,299

Lake Wildwood Utilities Corporation
Rate Base
For the Test Year Ending December 31, 2000

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. B)	Staff Adjustments (Appendix A, Sch. 4)	Staff Pro Forma Rate Base (Col. B+C)
	(A)	(B)	(C)	(D)
1	Gross Plant in Service	\$ 848,649	\$ (7,270)	\$ 841,379
2	Accumulated Depreciation	(235,620)	567	(235,053)
3	-	-	-	-
4	Net Plant	613,029	(6,703)	606,326
5	Additions to Rate Base			
6	Water Service Corporation	8,034	16,986	25,020
7	Working Capital	13,568	(175)	13,393
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base		-	
17	Contributions in Aid of Construction	(84,291)	-	(84,291)
18	Accumulated Deferred Income Taxes	(9,665)	-	(9,665)
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 540,675</u>	<u>\$ 10,108</u>	<u>\$ 550,783</u>

Lake Wildwood Utilities Corporation
Adjustments to Rate Base
For the Test Year Ending December 31, 2000

Line No.	Description	Cash Working Capital (St Ex 7.0 Sched 7.7)	Water Service Corporation (St Ex 1.0 Sched 1.8)	Plant In Service (St Ex 1.0 Sched 1.12)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Gross Plant in Service	\$ -	\$ -	\$ (7,270)	\$ -	\$ -	\$ -	\$ -	\$ (7,270)
2	Accumulated Depreciation	-	-	567	-	-	-	-	567
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	(6,703)	-	-	-	-	(6,703)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Water Service Corporation	-	16,986	-	-	-	-	-	16,986
7	Working Capital	(175)	-	-	-	-	-	-	(175)
8		-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	-	-	-	-	-	-	-
21	Deferred State Income Taxes	-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (175)	\$ 16,986	\$ (6,703)	\$ -	\$ -	\$ -	\$ -	\$ 10,108